Public Hearing

Broadcasting Notice of Consultation CRTC 2019-358

Address by Quebecor Media Inc.,
speaking for itself and on behalf of its TVA Group Inc. and Videotron Ltd. subsidiaries

(Check against delivery)

February 12, 2020

Madam Chairperson,
Madam Vice-Chairperson,
Madam Commissioner and officials,

Hello,

I am Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor.

Allow me to introduce the colleagues who are with me today. On my right, France Lauzière, President and Chief Executive Officer of TVA Group and Chief Content Officer of Quebecor Content, and Peggy Tabet, Vice-President, Regulatory Affairs – Broadcasting, of Quebecor. To my left are Marc Tremblay, Chief Operating Officer and Legal Officer of Quebecor, and Patrick Jutras, Senior Vice President and Chief Advertising Officer of TVA Group and Quebecor.

INTRODUCTION

We are here today to draw attention to the very serious implications of Bell Canada's proposed acquisition of the V stations.

We must ask the question: why does Bell want to buy V now, when it attached so little importance to it in 2008? V, then called TQS, had gone bankrupt in 2007 and asked to be released from many of its conditions of licence. Now that its control over the media has reached dominant, even predatory, proportions, Bell wants to complete the process of monopolization by acquiring V.

The proposed acquisition is the missing piece in Bell's portfolio of media properties. Commission approval would further strengthen Bell's dominance of Canadian media and advertising revenues, and cement its buying power vis-à-vis local and foreign players. Bell is dominant from A to Z; all it’s missing is V.

The Commission cannot allow this to happen and must **deny** this transaction.

MEDIA CONCENTRATION IN BELL'S HANDS

Given this picture, it is clear that Bell is a company like no other when it comes to dominance of Canada's media landscape and indeed with no equivalent in any other Western democracy.

Even without the acquisition of the V stations and some of Group V's digital assets, Bell already owns an inordinate number of properties across Canada, including 30 local conventional television stations, 30 specialty services, 4 pay channels, 109 radio stations, more than 50,000 advertising faces in the out-of-home advertising sector, and 230 websites and apps.[1] It also has a presence in telecommunications, broadcasting distribution, production, entertainment, concert halls, sports teams and retail. It's more than a multitentacled octopus, it's a **public menace**.

Over the past decade, media concentration in the hands of Bell has increased steadily, despite some rebuffs by the Commission and the Competition Bureau. When Bell applied to change the effective control of Astral, the Commission had, and I quote, "concerns related to competition, ownership concentration in television and radio, vertical integration and the exercise of market power"[2] that it would have given Bell. At the time of Bell's second attempt to acquire Astral, the Competition Bureau was of the opinion that the transaction would have strengthened Bell's market power. In addition, it was concerned about the possibility of abuse of a dominant position by Bell as a vertically integrated entity. The Bureau was also concerned about the potential for Bell to abuse its market power by denying its competitors essential content or by imposing supracompetitive business conditions on them.

Members of the Commission, the abuses that had been anticipated and feared have indeed materialized.

Recall the Orwellian episode in 2015 when, following the release of the CRTC's "Let's Talk TV" decision, then-Bell Media President Kevin Crull ordered CTV newsroom staff to deny then-CRTC Chairperson Jean-Pierre Blais media coverage on the entire CTV network.[3] Is this the way to safeguard democracy?

These concerns are more relevant than ever today. Government authorities must intervene to curb this concentration that even George Orwell had not foreseen.

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[1] Bell Media, About Us, https://www.bellmedia.ca/about-bellmedia/

[2] Broadcasting Decision CRTC 2012-574.

[3] https://www.theglobeandmail.com/report-on-business/bell-announces-departure-of-media-head-kevin-crull-over-journalistic-meddling/article23864190/

Bell is nationally dominant, even predatory, compared with the other players. It has the largest presence on Canada's media landscape. Its drive to make as many acquisitions as possible reflects its deep-seated desire to dominate the industry, rebuild its monopoly and eliminate its competitors.

The evidence for this is that Bell continues to pile up anti-competitive manoeuvres and questionable practices. Here are some examples spanning a number of years that clearly demonstrate this company's culture:

- The Commission recently ruled that Bell was giving itself an undue advantage and placing TVA Sports at an undue disadvantage by not including it in the "Good" package, as its own comparable RDS service has been for years. Despite that decision, Bell has yet to comply and is proposing roundabout, dishonest solutions in order to keep TVA Sports at a disadvantage and maintain the significant financial impacts of that disadvantage;
- On January 21, Bell withdrew Super Écran's cross-platform content from Videotron. Bell demanded that Videotron yield to completely unreasonable and unfeasible demands, going so far as to demand agreements that do not even involve Videotron. In doing so, Bell gave itself an undue advantage and placed Videotron and its subscribers at an undue disadvantage;
- In June 2019, Videotron filed a complaint with the CRTC with respect to the undue advantage Bell is giving itself by offering Super Écran free with a subscription to ALT Télé;
- Bell is the only major broadcasting distribution undertaking in the French-language market that does not recognize the need to rebalance specialty service fees, resulting in a deadlock in our negotiations;
- The Commission has also found that Cablevision, a wholly owned subsidiary of Bell, is preventing Videotron from establishing a presence in Abitibi-Témiscamingue by, and I quote, "not negotiating with its potential competitor [meaning Videotron] in good faith"[4] on a Third Party Internet Access Agreement (TPIA), a situation that has been going on for months;
- The Competition Bureau imposed a $10 million penalty on Bell, among others, for promoting their services to the public with misleading advertising;

[4] https://crtc.gc.ca/eng/archive/2019/2019-423.htm

- The Québec Court of Appeal ordered Bell to pay Quebecor subsidiaries $141 million for failing to prevent piracy of its satellite signals from 1999 to 2005, depriving Videotron of cable television revenues and TVA of subscription revenues;
- Not to mention the numerous class action suits against Bell, or the recent lawsuit against Bell Mobility, which failed to protect its customers' banking data.[5]

As we have repeated on many occasions, the Commission and the industry must now contend with a company so dominant that it can no longer be controlled. Bell has adopted the following logic and course of action: in the relentless pursuit of profit, it is more advantageous to pay fines and penalties than to comply with laws and regulations. Therefore, fines and penalties are no longer sufficient to constrain Bell, which can well afford to pay.

A $5 million, $10 million or $20 million fine is a trivial amount for a company like Bell with over $10.1 billion in operating income.[6]

For how long and to what extent will you allow Bell to rebuild its monopoly?

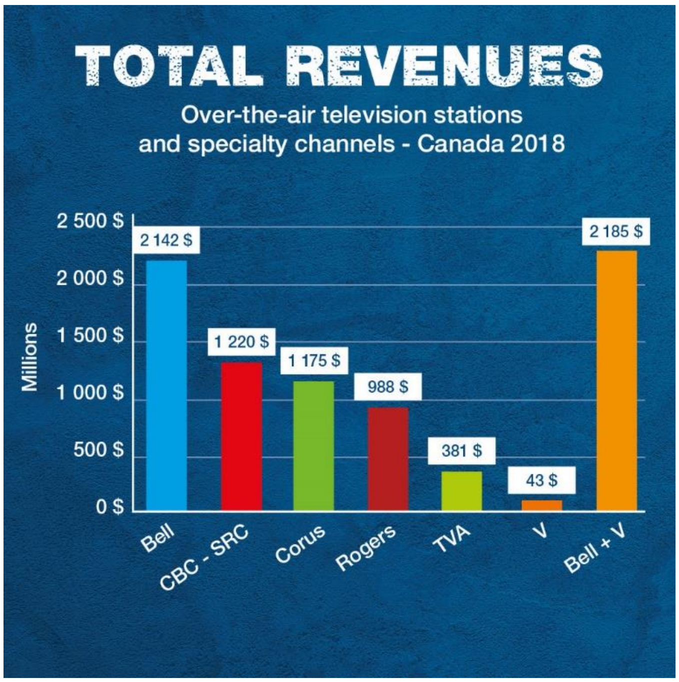
BELL’S DOMINANT POSITION

In its application, Bell submits that the Commission should proceed and approve the transaction in question without delay solely on the basis that its television viewing share would be below the 35% threshold. We strongly disagree with this argument and believe that Bell's acquisition of the V stations should be scrutinized by the Commission from every angle. Bell would be quite right if this were a normal situation, but of course what Bell fails to mention, despite the fact that it is glaringly obvious, is that no company in Canada or the world has as much control over media properties, advertising sales and subscription fees, which are the industry's revenue sources.

[5] https://www.lapresse.ca/actualites/justice-et-faits-divers/202001/21/01-5257776-sim-swap-poursuite-de-98-300-contre-bell.php
[6] 2019 results.

When we look at the total revenues of the major players in the television industry, we can see that **Bell's revenues dwarf those of its competitors**. In 2018, Bell's conventional and specialty television services raked in **more than $2.1 billion**.

Clearly, the addition of the V stations would further increase Bell's sway at the expense of all other industry players. Bell's dominance on the Canadian media landscape is undeniable, as the following chart shows.



And bear in mind that the total revenues Bell reaps from its conventional television operations and subscription fees for its specialty services don't tell the whole market dominance story. Bell is the leading player in Canada' media industry as a whole, in both the English- and French-language markets, and is present in many business segments from coast-to-coast, as discussed above.

Quebecor is also active in many segments, including newspapers, television and telecommunications. However, its footprint is confined to the French-language market.

DOMINANCE IN ADVERTISING REVENUES

Now let's turn to advertising revenues.

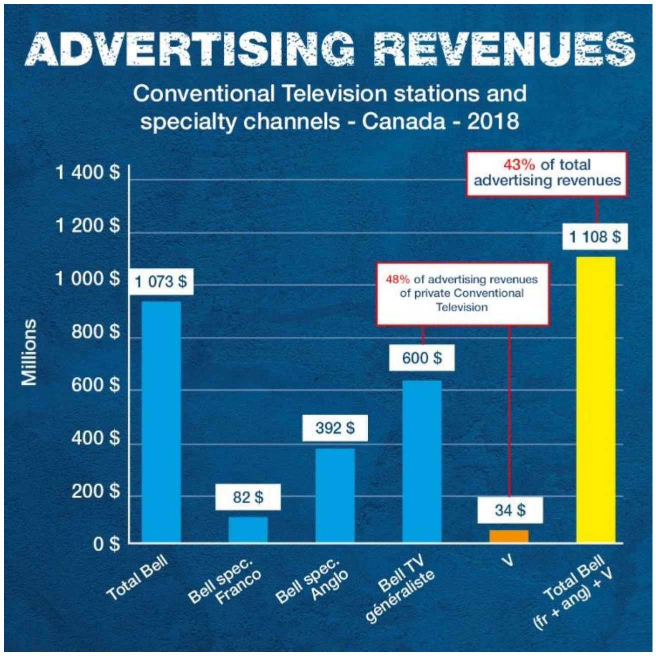
Note that if the Commission approves this transaction, Bell will control more than **48%** of private conventional television advertising revenues in Canada and **43%** of total advertising revenues.[7] This unparalleled dominance is unsustainable in Canada's already fragile advertising market.

This extremely troubling situation is compounded by the consequences of the globalization of content and the explosion of modes of distribution, which are leading to what is known as cord-cutting. According to the latest MTM report, BDU penetration in Québec was 79% in 2018, compared with 88% just five years ago. The abandonment of the traditional system is undermining conventional television and jeopardizing its sustainability.

Meanwhile, Québec newspapers have already taken the hit. Consider Groupe Capitales Médias, which recently went bankrupt, leaving thousands of pensioners high and dry. And 57 newspapers have disappeared since 2011.

Bell is adding insult to the injury of its application: as if adding the advertising sales of the V stations to its revenues weren't enough, Bell is proposing to add the specialty services MAX and ELLE Fictions, which it doesn't even control since they are still owned by Remstar, to its advertising portfolio. This is a shameless attempt to do indirectly what Bell cannot do directly, using a strategy that might be described as death by a thousand cuts to underhandedly increase its dominance of the advertising market.

[7] CRTC, Statistical and Financial Summaries (conventional television and discretionary services).



The result will be that Bell will continue to use its monopoly as leverage with advertisers to dictate advertising rates and control advertising revenues. This will have the effect of putting pressure on the other industry players as well as on other media, which will be forced to lower their advertising rates to compete with Bell. Players operating in the French-language market will be more affected than their English-language counterparts as their advertising rates are well below those in the English market, being **5 to 7 times less**.[8]

If the Commission approves Bell's application, we can expect the significant gap that already exists between average advertising prices in the two markets to grow still wider.

DOMINANCE IN CONTENT ACQUISITION

When it comes to content acquisition, Bell is also the largest buyer in the Canadian market, which clearly gives it market power. Its channels' combined programming and production spending is nearly **$1.5 billion**, or **38%** of all programming and production expenditures.[9]

[8] *Forde & Semple MediaWorks*, Average market prices (gross cost) – French and English market comparison for OTA television and specialty services (adults aged 25-54, 2017).
[9] Bell cumulative annual report, conventional television – discretionary and on-demand services (English and French), 2018; Conventional television (statistical and financial summaries), 2018; Discretionary and on-demand services, 2018.

Bell's power to acquire content enables it to generate higher advertising revenues in the English-language market, which in turn endows it with more market power in both the French- and English-language content acquisition markets.

This power would be further increased if Bell were to obtain approval to acquire the V stations. Content providers would no longer have to deal with two separate companies to cover the English and French markets since Bell would be dominant on both fronts.

Since the prices and volumes of English-language content acquisition in Canada are much higher than for French-language content, Bell will use the acquisition of English-language rights to force content providers to bundle in French-language content, thereby bypassing any competition in the French market.

We have been faced with this equation before, which is a fairly easy one to understand and no other organization in Canada can go against it.

CONCLUSION

In conclusion, if we were advising Bell, we would certainly tell them to adopt the deceitful attitude and manipulative rhetoric of focusing on audience share. This is the only argument that can obscure Bell's wall-to-wall dominance. No one would or should be blinded by this subterfuge. Bell is already disproportionately dominant and abuses its dominance.
Other regulatory bodies, such as the Federal Communications Commission (FCC) in the United States, have had the courage to block such predatory acquisitions, like the takeover of Tribune Media by the Sinclair Broadcasting Group, which would have given it control of more than 200 local stations,[10] or the acquisition of T-Mobile by AT&T, which would have held nearly 80% of mobile phone contracts.[11] For the good of Canada, the Commission must act to curtail this harmful and disastrous dominance.

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[10] https://www.lapresse.ca/affaires/economie/medias-et-telecoms/201808/09/01-5192480-etats-unis-sinclair-renonce-a-racheter-tribune-media.php

[11] The proposed acquisition was withdrawn in the face of opposition from third parties and deep concerns expressed by the FCC.
https://www.washingtonpost.com/business/technology/how-atandt-lost-its-39-million-bid-to-acquire-t-mobile/2011/12/01/gIQAkTQ6hO_story.html

This damaging acquisition is contrary to the public interest and the objectives of the *Broadcasting Act*. Even the Public Interest Advocacy Centre (PIAC) opposes this transaction, which will undermine the information, news and diversity of voices that are the foundation of a healthy democracy. In the long run, it is a matter of safeguarding our democracy.

In fact, the time has come for regulatory and government authorities to dismantle Bell before it is too late.

Thank you for giving us the opportunity to comment on this transaction. We are now ready to answer your questions.